

W.R. Grace & Co. - Chapter 11 Filing Entities
Combining Balance Sheet
MOR - 3
September 30, 2002

	Grace Energy Corporation	GEC Management Corporation	Grace Offshore Company	Coalgrace, Inc.	Grace A-B II Inc.	Grace H-G II Inc.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and accounts receivable, net	-	-	-	-	-	-
Receivables from/(payables to) filing and non-filing entities, net	352,712,759	4,389,672	(15,750,664)	5,297,049	875,519	(5,104)
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance expected to be realized within one year	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	352,712,759	4,389,672	(15,750,664)	5,297,049	875,519	(5,104)
Properties and equipment, net	-	-	-	-	-	-
Goodwill, net	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance expected to be realized after one year	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	(35,903,123)	(14,135,725)	-	-	-	-
Investment in filing and non-filing entities	187,272,210	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ 504,081,846	\$ (9,746,053)	\$ (15,750,664)	\$ 5,297,049	\$ 875,519	\$ (5,104)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Long-term debt - DIP facility	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	-	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Income taxes payable	(59)	(50)	-	(150)	(150)	(50)
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(59)	(50)	-	(150)	(150)	(50)
Total Liabilities	(59)	(50)	-	(150)	(150)	(50)
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	1,000	1,000	(114,960)	100	1,000	1,000
Paid in capital	451,425,156	(2,089,027)	34,215,000	-	-	-
(Accumulated deficit)/Retained earnings	52,655,749	(7,657,976)	(49,850,704)	5,297,099	874,669	(6,054)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	504,081,905	(9,746,003)	(15,750,664)	5,297,199	875,669	(5,054)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 504,081,846	\$ (9,746,053)	\$ (15,750,664)	\$ 5,297,049	\$ 875,519	\$ (5,104)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W.R. Grace & Co. - Chapter 11 Filing Entities
Combining Balance Sheet
MOR - 3
September 30, 2002

	Coalgrace II, Inc.	Gracoal II, Inc.	Gracoal, Inc.	Grace Drilling Company	Grace Petroleum Libya Incorporated	Axial Basin Ranch Company
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and accounts receivable, net	-	-	-	-	-	-
Receivables from/(payables to) filing and non-filing entities, net	108,290	130,478,268	145,501,866	(81,114,843)	47,407,856	-
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance expected to be realized within one year	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	108,290	130,478,268	145,501,866	(81,114,843)	47,407,856	-
Properties and equipment, net	-	-	-	-	-	-
Goodwill, net	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance expected to be realized after one year	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-	-	-
Investment in filing and non-filing entities	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ 108,290	\$ 130,478,268	\$ 145,501,866	\$ (81,114,843)	\$ 47,407,856	\$ -
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	875,000	-	-	-
Total Current Liabilities	-	-	875,000	-	-	-
Long-term debt - DIP facility	-	-	-	-	-	-
Deferred income taxes	-	28,415,346	27,540,346	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	28,415,346	28,415,346	-	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Income taxes payable	(150)	874,850	874,950	(210)	(50)	-
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(150)	874,850	874,950	(210)	(50)	-
Total Liabilities	(150)	29,290,196	29,290,296	(210)	(50)	-
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	1,000	1,000	100	124,473	1,000	-
Paid in capital	-	30,293,750	13,880,108	51,173,713	7,308,934	-
(Accumulated deficit)/Retained earnings	107,440	70,893,322	102,331,362	(132,412,819)	40,097,972	-
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	108,440	101,188,072	116,211,570	(81,114,633)	47,407,906	-
Total Liabilities and Shareholders' Equity (Deficit)	\$ 108,290	\$ 130,478,268	\$ 145,501,866	\$ (81,114,843)	\$ 47,407,856	\$ -

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W.R. Grace & Co. - Chapter 11 Filing Entities
Combining Balance Sheet
MOR - 3
September 30, 2002

	Hayden-Gulch West Coal Company	H-G Coal Company	Eliminations between Filing Entities	Conversion to Equity Method	Reporting Reclasses
ASSETS					
Current Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and accounts receivable, net	-	-	-	-	-
Receivables from/(payables to) filing and non-filing entities, net	-	-	-	-	-
Inventories	-	-	-	-	-
Deferred income taxes	-	-	-	-	(9,349,469)
Asbestos-related insurance expected to be realized within one year	-	-	-	-	-
Other current assets	-	-	-	-	-
Total Current Assets	-	-	-	-	(9,349,469)
Properties and equipment, net	-	-	-	-	-
Goodwill, net	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-
Deferred income taxes	-	-	-	-	(265,538,200)
Asbestos-related insurance expected to be realized after one year	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-	-
Investment in filing and non-filing entities	-	-	(1,315,702,717)	28,368,902	-
Other assets	-	-	(1,104,954)	-	-
Total Assets	\$ -	\$ -	\$ (1,316,807,671)	\$ 28,368,902	\$ (274,887,669)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Liabilities Not Subject to Compromise					
Current Liabilities					
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Income taxes payable	-	-	-	-	5,000,000
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-
Other current liabilities	-	-	-	-	(20,049,469)
Total Current Liabilities	-	-	-	-	(15,049,469)
Long-term debt - DIP facility	-	-	-	-	-
Deferred income taxes	-	-	-	-	(265,538,200)
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-
Other liabilities	-	-	-	-	(75,100,000)
Total Liabilities Not Subject to Compromise	-	-	-	-	(355,687,669)
Liabilities Subject to Compromise					
Debt, pre-petition plus accrued interest	-	-	-	-	-
Accounts payable	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Asbestos-related liability	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total Liabilities Subject to Compromise	-	-	-	-	-
Total Liabilities	-	-	-	-	(355,687,669)
Shareholders' Equity (Deficit)					
Preferred Stock	-	-	-	-	-
Common Stock	-	-	(86,493,960)	-	-
Paid in capital	-	-	(1,192,373,672)	-	-
(Accumulated deficit)/Retained earnings	-	-	(37,940,039)	79,737,568	75,100,000
Treasury stock, at cost	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	(51,368,667)	5,700,000
Total Shareholders' Equity (Deficit)	-	-	(1,316,807,671)	28,368,902	80,800,000
Total Liabilities and Shareholders' Equity (Deficit)	\$ -	\$ -	\$ (1,316,807,671)	\$ 28,368,902	\$ (274,887,669)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W.R. Grace & Co. - Chapter 11 Filing Entities Combining Balance Sheet MOR - 3 September 30, 2002	
	COMBINED FILING ENTITIES
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 44,612,710
Notes and accounts receivable, net	126,099,498
Receivables from/(payables to) filing and non-filing entities, net	38,259,179
Inventories	78,019,005
Deferred income taxes	3,193,798
Asbestos-related insurance expected to be realized within one year	7,717,970
Other current assets	57,878,626
Total Current Assets	355,780,785
Properties and equipment, net	381,175,276
Goodwill, net	14,410,173
Cash value of company owned life insurance, net of policy loans	87,461,175
Deferred income taxes	506,835,282
Asbestos-related insurance expected to be realized after one year	274,943,452
Loans receivable from/(payable to) filing and non-filing entities, net	426,895,029
Investment in filing and non-filing entities	206,974,981
Other assets	306,635,955
Total Assets	\$ 2,561,112,109
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	
Liabilities Not Subject to Compromise	
Current Liabilities	
Short-term debt	\$ 1,575,141
Accounts payable	33,291,216
Income taxes payable	5,212,632
Asbestos-related liability expected to be disbursed within one year	0
Other current liabilities	52,234,512
Total Current Liabilities	92,313,501
Long-term debt - DIP facility	0
Deferred income taxes	-
Asbestos-related liability expected to be disbursed after one year	(0)
Other liabilities	218,374,103
Total Liabilities Not Subject to Compromise	310,687,604
Liabilities Subject to Compromise	
Debt, pre-petition plus accrued interest	535,237,390
Accounts payable	32,080,675
Income taxes payable	244,627,917
Asbestos-related liability	978,196,800
Other liabilities	531,539,985
Total Liabilities Subject to Compromise	2,321,682,767
Total Liabilities	2,632,370,372
Shareholders' Equity (Deficit)	
Preferred Stock	112
Common Stock	772,288
Paid in capital	433,064,848
(Accumulated deficit)/Retained earnings	(90,332,892)
Treasury stock, at cost	(136,994,960)
Accumulated other comprehensive loss	(277,767,657)
Total Shareholders' Equity (Deficit)	(71,258,262)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 2,561,112,109

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

Chart 5

W. R. Grace & Co. - Conn Status of Postpetition Taxes MOR-4 September 2002				
	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ 199,708	\$ 2,711,143	\$ (2,887,949)	\$ 22,903
FICA - Employee	8,560	1,206,514	(1,203,802)	11,272
FICA and payroll- Employer	2,285,790	1,206,557	(1,497,705)	1,994,642
Unemployment	-	11,790	(11,790)	-
Other	-	-	-	-
Total Federal Taxes	\$ 2,494,058	\$ 5,136,004	\$ (5,601,246)	\$ 2,028,816
State and Local				
Withholding	\$ (11,734)	\$ 1,030,828	\$ (1,034,792)	\$ (15,698)
Sales & Use	1,723,390	537,963	(681,867)	1,579,486
Property Taxes	2,596,141	321,083	(523,799)	2,393,425
Other	-	-	-	-
Total State and Local	\$ 4,307,797	\$ 1,889,874	\$ (2,240,458)	\$ 3,957,213
Total Taxes	\$ 6,801,855	\$ 7,025,878	\$ (7,841,704)	\$ 5,986,029

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR – 5) for attestation related to accounts payable and tax obligations.

Chart 5

Remedium Group, Inc.
Status of Postpetition Taxes
MOR-4
September 2002

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ -	\$ 13,634	\$ (13,634)	\$ -
FICA - Employee	-	4,560	(4,560)	-
FICA and payroll- Employer	84	4,560	(4,560)	84
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ 84	\$ 22,754	\$ (22,754)	\$ 84
State and Local				
Withholding	\$ -	\$ 569	\$ (569)	\$ -
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ -	\$ 569	\$ (569)	\$ -
Total Taxes	\$ 84	\$ 23,323	\$ (23,323)	\$ 84

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR – 5) for attestation related to accounts payable and tax obligations.

Chart 5

Grace Washington, Inc. Status of Postpetition Taxes MOR-4 September 2002				
	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ (2,288)	\$ 4,774	\$ (4,774)	\$ (2,288)
FICA - Employee	(751)	233	(233)	(751)
FICA and payroll- Employer	(2,622)	233	(233)	(2,622)
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ (5,661)	\$ 5,240	\$ (5,240)	\$ (5,661)
State and Local				
Withholding	\$ 1,425	\$ 892	\$ (892)	\$ 1,425
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ 1,425	\$ 892	\$ (892)	\$ 1,425
Total Taxes	\$ (4,236)	\$ 6,132	\$ (6,132)	\$ (4,236)

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR – 5) for attestation related to accounts payable and tax obligations.

Chart 5

L B Realty, Inc. Status of Postpetition Taxes MOR-4 September 2002				
	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ (5,964)	\$ -	\$ 5,964	\$ -
FICA - Employee	(2,542)	-	2,542	-
FICA and payroll- Employer	(2,542)	-	2,542	-
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ (11,048)	\$ -	\$ 11,048	\$ -
State and Local				
Withholding	\$ -	\$ -	\$ -	\$ -
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ -	\$ -	\$ -	\$ -
Total Taxes	\$ (11,048)	\$ -	\$ 11,048	\$ -

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR – 5) for attestation related to accounts payable and tax obligations.

Chart 5

Darex Puerto Rico, Inc.
Status of Postpetition Taxes
MOR-4
September 2002

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ -	\$ -	\$ -	\$ -
FICA - Employee	235	987	(1,373)	(151)
FICA and payroll- Employer	2,232	987	(691)	2,528
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ 2,467	\$ 1,974	\$ (2,064)	\$ 2,377
State and Local				
Withholding	\$ (32)	\$ 1,699	\$ (1,699)	\$ (32)
Sales & Use	-	-	-	-
Property Taxes	108,064	3,469	0	111,533
Other	-	-	-	-
Total State and Local	\$ 108,032	\$ 5,168	\$ (1,699)	\$ 111,501
Total Taxes	\$ 110,499	\$ 7,142	\$ (3,762)	\$ 113,878

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR – 5) for attestation related to accounts payable and tax obligations.

Chart 6

W. R. Grace & Co. - Conn
Accounts Receivable Reconciliation and Aging
MOR-5
September 2002

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ 114,078,866
Amounts billed during the period	70,368,420
Amounts collected during the period	(71,243,846)
Other	3,026,499
Trade accounts receivable at the end of month, gross	\$ 116,229,939

Trade Accounts Receivable Aging

Current	\$ 78,754,544
1-30 days past due	28,036,754
31-60 days past due	6,200,435
+61 days past due	3,238,206
Trade accounts receivable, gross	116,229,939
Allowance for doubtful accounts	(1,511,985)
Trade accounts receivable, net	\$ 114,717,954

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ 114,717,954
Customer notes and drafts receivable	753,842
Pending customer credit notes	(87,781)
Advances and deposits	5,473,417
Nontrade receivables, net	2,648,535
Total notes and accounts receivable, net	\$ 123,505,967

Chart 6

Remedium Group, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
September 2002

Trade Accounts Receivable Reconciliation	
Trade accounts receivable, beginning of month, gross	\$ -
Amounts billed during the period	-
Amounts collected during the period	-
Other	-
Trade accounts receivable at the end of month, gross	\$ -
Trade Accounts Receivable Aging	
Current	\$ -
1-30 days past due	-
31-60 days past due	-
+61 days past due	-
Trade accounts receivable, gross	-
Allowance for doubtful accounts	-
Trade accounts receivable, net	\$ -

Notes and Accounts Receivable Reconciliation	
Trade accounts receivable, net	\$ -
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	910
Nontrade receivables, net	175,092
Total notes and accounts receivable, net	\$ 176,002

Chart 6

Darex Puerto Rico, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
September 2002

Trade Accounts Receivable Reconciliation	
Trade accounts receivable, beginning of month, gross	\$ 2,577,772
Amounts billed during the period	401,667
Amounts collected during the period	(601,679)
Other	19,207
Trade accounts receivable at the end of month, gross	\$ 2,396,967
Trade Accounts Receivable Aging	
Current	\$ 1,353,874
1-30 days past due	336,200
31-60 days past due	273,045
+61 days past due	433,848
Trade accounts receivable, gross	2,396,967
Allowance for doubtful accounts	(50,443)
Trade accounts receivable, net	\$ 2,346,524

Notes and Accounts Receivable Reconciliation	
Trade accounts receivable, net	\$ 2,346,524
Customer notes and drafts receivable	-
Pending customer credit notes	(10,856)
Advances and deposits	-
Nontrade receivables, net	3,148
Total notes and accounts receivable, net	\$ 2,338,816

Chart 6

Grace Europe, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
September 2002

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ -
Amounts billed during the period	-
Amounts collected during the period	-
Other	-
Trade accounts receivable at the end of month, gross	\$ -

Trade Accounts Receivable Aging

Current	\$ -
1-30 days past due	-
31-60 days past due	-
+61 days past due	-
Trade accounts receivable, gross	-
Allowance for doubtful accounts	-
Trade accounts receivable, net	\$ -

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ -
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	-
Nontrade receivables, net	78,713
Total notes and accounts receivable, net	\$ 78,713

W.R. Grace & Co., et al Debtor Questionnaire MOR - 5 September 2002		
	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account for this reporting period? If yes, provide an explanation below.		See Note #5 below
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in affect? If no, provide and explanation below.	X	
5. Are post-petition accounts payable and tax obligations current and paid to date? If no, provide an explanation.	X (unless disputed in normal course of business)	

As part of the first day orders submitted to the court on April 2, 2001, an application for the Debtors to (a) continue and maintain their consolidated cash management system, (b) continue and maintain their existing bank accounts and (c) continue to use existing business forms and granting related relief was included. The Debtors have continued to use their existing bank accounts and no new debtor in possession accounts have been established.

List assets sold/transferred outside the normal course of business over \$25,000:		
Description of Asset	Sale Date	Proceeds

Combined Chapter 11 Filing Entity Statements

Chart 8

W. R. Grace & Co. - Chapter 11 Filing Entities

Combined Statement of Operations

Amounts in millions	Month Ended September 30, 2002	Year to Date September 30, 2002	Cumulative Since Filing
Net sales to third parties	\$ 70.8	\$ 648.0	\$ 1,311.8
Net sales to non-filing entities	10.6	102.8	207.7
Interest and royalties from non-filing entities	3.6	31.3	65.7
Other income	3.6	13.2	29.1
	88.6	795.3	1,614.3
Cost of goods sold to third parties	43.1	403.9	809.1
Cost of goods sold to non-filing entities	7.7	74.1	148.9
Selling, general and administrative expenses	32.9	196.9	356.3
Research and development expenses	3.4	31.4	62.0
Depreciation and amortization	5.1	45.9	89.3
Interest expense	1.4	14.8	41.7
	93.6	767.0	1,507.3
Income before Chapter 11 reorganization expenses, income taxes and equity in net income of non-filing entities	(5.0)	28.3	107.0
Chapter 11 reorganization expenses, net	(4.0)	(21.4)	(34.1)
Provision for income taxes	0.8	(20.8)	(54.2)
Equity in net income of non-filing entities	7.4	61.5	92.8
Net income	\$ (0.8)	\$ 47.6	\$ 111.5

The Notes to Combined Financial Statements are an integral part of these statements.

W. R. Grace & Co. - Chapter 11 Filing Entities
Combined Functional Basis Statement of Cash Flows

Amounts in millions	Month Ended September 30, 2002	Year to Date September 30, 2002	Cumulative Since Filing
Core operations cash flow			
Pre-tax income from core operations	\$ 11.6	\$ 68.0	\$ 176.3
Depreciation and amortization	5.1	45.9	89.3
	16.7	113.9	265.6
Changes in all core assets/liabilities and other	8.4	(8.5)	(7.4)
Net increase in accounts receivable due to termination of the securitization program	-	-	(64.8)
	25.1	105.4	193.4
Capital expenditures	(5.4)	(41.3)	(68.7)
Core Pre-tax Operating Cash Flow	19.7	64.1	124.7
Charges against core reserves			
Restructuring costs	-	-	-
Pension liabilities	(0.3)	(3.2)	(7.3)
Deferred compensation	(0.4)	(0.9)	(2.9)
Self insurance	0.1	(0.3)	(1.2)
Total Spending Against Core Reserves	(0.6)	(4.4)	(11.4)
Core Cash Flow	19.1	59.7	113.3
Noncore cash flow			
Proceeds from asset sales	-	2.0	4.9
Benefit proceeds under life insurance policies	3.6	13.8	22.9
Other noncore pretax cash flow	0.1	1.9	(0.1)
Noncore Pre-tax Cash Flow	3.7	17.7	27.7
Charges against noncore reserves			
Asbestos			
Asbestos claims processing	(0.6)	(8.2)	(14.7)
Less - insurance recovery	1.0	10.8	57.9
Net asbestos (payments) receipts	0.4	2.6	43.2
Environmental remediation	(0.5)	(14.5)	(33.3)
Retained obligations and other	(0.3)	(3.2)	(8.3)
Postretirement benefits	(2.9)	(17.7)	(34.4)
Total Spending Against Noncore Reserves	(3.3)	(32.8)	(32.8)
Noncore Cash Flow	0.4	(15.1)	(5.1)
Total Pre-tax/Pre-interest/Pre-Chapter 11 Cash Flow	19.5	44.6	108.2
Cash paid for taxes, net of refunds	(0.2)	(1.1)	(3.4)
Cash paid for interest	0.7	0.8	(1.8)
Chapter 11 reorganization expenses paid	(1.2)	(13.3)	(19.9)
Cash Flow before Strategic Investments	18.8	31.0	83.1
Strategic Investments			
Cash paid for businesses acquired	-	(4.0)	(4.0)
Proceeds from option exercises	-	-	-
Repurchase of treasury stock	-	-	(0.6)
Cash used for Strategic Investments	-	(4.0)	(4.6)
Cash Flow after Strategic Investments	18.8	27.0	78.5
Borrowings (repayments) under DIP facility	-	-	(2.8)
Net (investing)/financing activities under life insurance policies	(0.9)	(20.4)	(39.7)
Net Cash Flow	\$ 17.9	\$ 6.6	\$ 36.0

The Notes to Combined Financial Statements are an integral part of these statements.

Chart 10

W. R. Grace & Co. - Chapter 11 Filing Entities			
Combined Balance Sheet			
Amounts in millions	September 30, 2002	December 31, 2001	April 2, 2001
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 44.6	\$ 38.0	\$ 8.6
Notes and accounts receivable, net	126.1	128.2	43.8
Receivables from non-filing entities, net	38.3	33.8	51.2
Inventories	78.0	83.9	80.6
Deferred income taxes	3.3	17.1	80.9
Asbestos-related insurance expected to be realized within one year	7.7	9.7	17.0
Other current assets	57.9	51.8	21.9
Total Current Assets	355.9	362.5	304.0
Properties and equipment, net	381.2	384.9	400.4
Goodwill, net	14.4	13.9	13.6
Cash value of life insurance policies, net of policy loans	87.5	75.6	64.1
Deferred income taxes	506.8	502.6	401.0
Asbestos-related insurance expected to be realized after one year	274.9	283.7	323.4
Loans receivable from non-filing entities, net	426.9	388.0	387.5
Investment in non-filing entities	207.0	159.1	121.0
Other assets	306.6	325.7	308.5
Total Assets	\$ 2,561.2	\$ 2,496.0	\$ 2,323.5
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Liabilities Not Subject to Compromise			
Current Liabilities			
Debt payable within one year	\$ 1.6	1.6	-
Accounts payable	33.3	32.8	-
Income Taxes Payable	5.2	-	-
Other current liabilities	52.3	61.7	-
Total Current Liabilities	92.4	96.1	-
Debt payable after one year	-	-	-
Other liabilities	218.3	228.0	31.8
Total Liabilities Not Subject to Compromise	310.7	324.1	31.8
Liabilities Subject to Compromise			
Debt, pre-petition plus accrued interest	535.2	524.5	511.5
Accounts payable	32.1	31.7	43.0
Income taxes payable	244.6	216.6	210.1
Asbestos-related liability	978.2	996.3	1,002.8
Other liabilities	531.6	544.5	598.6
Total Liabilities Subject to Compromise	2,321.7	2,313.6	2,366.0
Total Liabilities	2,632.4	2,637.7	2,397.8
Shareholders' Equity (Deficit)			
Common stock	0.8	0.8	0.8
Paid in capital	433.0	433.0	432.6
Accumulated deficit	(90.2)	(137.8)	(201.8)
Treasury stock, at cost	(137.0)	(137.0)	(136.4)
Accumulated other comprehensive income (loss)	(277.8)	(300.7)	(169.5)
Total Shareholders' Equity (Deficit)	(71.2)	(141.7)	(74.3)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 2,561.2	\$ 2,496.0	\$ 2,323.5

The Notes to Combined Financial Statements are an integral part of these statements.

W. R. Grace & Co. - Chapter 11 Filing Entities
Notes to Combined Financial Statements
September 30, 2002

1. Basis of Presentation and Summary of Significant Accounting and Financial Reporting Policies

W. R. Grace & Co., through its subsidiaries, is primarily engaged in specialty chemicals and specialty materials businesses on a worldwide basis. These businesses consist of catalysts and silica products (Davison Chemicals) and construction chemicals, building materials, sealants and coatings (Performance Chemicals). W. R. Grace & Co. is a publicly held company with its shares traded on the New York Stock Exchange.

Voluntary Bankruptcy Filing

In response to a sharply increasing number of asbestos-related bodily injury claims, on April 2, 2001 (the "Filing Date"), W. R. Grace & Co. and 61 of its United States subsidiaries and affiliates, including Grace-Conn. (collectively, the "Debtors"), filed voluntary petitions for reorganization (the "Filing") under Chapter 11 of the United States Bankruptcy Code ("Chapter 11" or the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The cases were consolidated and are being jointly administered under case number 01-01139 (the "Chapter 11 Cases"). Grace's non-U.S. subsidiaries and certain of its U.S. subsidiaries were not included in the Filing.

During 2000 and the first quarter of 2001, Grace experienced several adverse developments in its asbestos-related litigation, including: a significant increase in bodily injury claims, higher than expected costs to resolve bodily injury and certain property damage claims, and class action lawsuits alleging damages from a former attic insulation product. After a thorough review of these developments, the Board of Directors of Grace concluded on April 2, 2001 that a federal court-supervised Chapter 11 filing provides the best forum available to achieve predictability and fairness in the claims settlement process. By filing under Chapter 11, Grace expects to be able to both obtain a comprehensive resolution of the claims against it and preserve the inherent value of its businesses.

Under Chapter 11, the Debtors expect to continue to operate their businesses as debtors-in-possession under court protection from their creditors and claimants, while using the Chapter 11 process to develop and implement a plan for addressing the asbestos-related claims against them.

Consequence of Filing - As a consequence of the Filing, pending litigation against the Debtors is generally stayed (subject to certain exceptions in the case of governmental authorities), and no party may take action to realize its pre-petition claims except pursuant to an order of the Bankruptcy Court.

The Debtors intend to address all of their pending and future asbestos-related claims and all other pre-petition claims in a plan of reorganization. Such a plan of reorganization may include the establishment of a trust through which all pending and future asbestos-related claims would be channeled for resolution. However, it is currently impossible to predict with any degree of certainty the amount that would be required to be contributed to the trust, how the trust would be funded, how other pre-petition claims would be treated or what impact any reorganization plan may have on the shares of common stock of the Company. The interests of the Company's shareholders could be substantially diluted or cancelled under a plan of reorganization. The formulation and implementation of the plan of reorganization is expected to take a significant period of time.

Status of Chapter 11 Proceedings - Since the Filing, all motions necessary to conduct normal business activities have been approved by the Bankruptcy Court. In addition, the Debtors have received approval from the Bankruptcy Court to pay or otherwise honor certain of its pre-petition obligations in the ordinary course of business, including employee wages and benefits, customer programs, shipping charges and a limited amount of claims of essential trade creditors.

As provided by the Bankruptcy Code, the Debtors had the exclusive right to propose a plan of reorganization for a 120-day period following the Filing Date. The Debtors have received an extension of their exclusive period during which to

file a plan of reorganization through February 1, 2003, and an extension of the Debtors' exclusive rights to solicit acceptances of a reorganization plan through April 1, 2003.

Three creditors' committees, two representing asbestos claimants and the third representing other unsecured creditors, and a committee representing shareholders have been appointed in the Chapter 11 Cases. These committees will have the right to be heard on all matters that come before the Bankruptcy Court, and, together with a legal representative of future asbestos claimants (who Grace expects to be appointed by the Bankruptcy Court in the near future), are likely to play important roles in the Chapter 11 Cases. The Debtors are required to bear certain of the committees' and the future asbestos claimants representative's costs and expenses, including those of their counsel and financial advisors.

In November 2001, the Debtors' Chapter 11 Cases, as well as the Chapter 11 Cases of four unrelated companies with asbestos-related claims, were assigned to Judge Alfred M. Wolin, a senior federal judge who sits in Newark, New Jersey. An additional asbestos-related Chapter 11 case was assigned to Judge Wolin in March 2002. Judge Wolin will preside over the asbestos bodily injury matters affecting all six companies and, at his choosing, certain other asbestos-related lawsuits particular to Grace. Judge Judith Fitzgerald, a U.S. Bankruptcy judge from the Western District of Pennsylvania, sitting in Wilmington, Delaware, will preside over the Debtors' other bankruptcy matters.

At a hearing on April 22, 2002, the Bankruptcy Court entered an order establishing a bar date of March 31, 2003 for claims of general unsecured creditors, asbestos property damage claims and medical monitoring claims related to asbestos. The bar date does not apply to asbestos-related bodily injury claims or claims related to Zonolite[®] attic insulation ("ZAI"), which will be addressed separately. Grace has distributed notices and run media announcements of the bar date under a program approved by the Bankruptcy Court. Rust Consulting, the court-approved claims handling agent for the Chapter 11 Cases, is maintaining a register of all claims filed. As claims are filed, Grace will be cataloguing and assessing their validity.

In July 2002, the Bankruptcy Court approved special counsel to represent the ZAI claimants, at the Debtors' expense, in a proceeding to determine certain threshold scientific issues regarding ZAI. The court has set a litigation schedule that would result in pretrial hearings on these issues in the second quarter of 2003.

The Bankruptcy Court had originally set a September 30, 2002 trial date to determine whether the 1998 transaction involving Grace's former packaging business and Sealed Air Corporation constituted a fraudulent conveyance. The trial has been postponed until December 2, 2002 pending resolution of certain procedural issues by the court.

Impact on Debt Capital - All of the Debtor's pre-petition debt is now in default due to the Filing. The accompanying Consolidated Balance Sheet as of September 30, 2002 reflects the classification of the Debtors' pre-petition debt within "Liabilities subject to compromise."

The Debtors have entered into a debtor-in-possession post-petition loan and security agreement with Bank of America, N.A. (the "DIP facility") in the aggregate amount of \$250 million. The DIP facility has a term expiring in April 2003 and bears interest under a formula based on the London Inter-Bank Offered Rate ("LIBOR") rate plus 2.00 to 2.25 percentage points depending on the level of loans outstanding. The Debtors are in the process of evaluating their needs for a renewal of the DIP facility, which will be subject to bankruptcy court approval.

Basis of Presentation

The interim combined financial statements presented herein represent the results of operations, cash flows and financial position of the Debtors. These financial statements pertain to periods beginning with, and subsequent to, the Filing Date and have been prepared in conformity with requirements of the Bankruptcy Court. Consequently, these financial statements do not purport to present the financial performance of W. R. Grace & Co. in conformity with generally accepted accounting principles which would require the consolidation of all controlled subsidiaries and more extensive notes and analysis related to the worldwide operations of W. R. Grace & Co. Financial activity of non-Debtor entities is not presented herein. However, all non-Debtor

entities are either directly or indirectly controlled by the Debtors and, accordingly, non-Debtor financial results are reflected under the equity method of accounting. These financial statements are unaudited and should be read in conjunction with the consolidated financial statements presented in W. R. Grace & Co.'s 2001 Form 10-K and, when filed, its 2002 Form 10-K and other periodic filings with the U.S. Securities and Exchange Commission.

These interim consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the interim periods presented under generally accepted accounting principles; all such adjustments are of a normal recurring nature. All significant inter-Debtor accounts and transactions have been eliminated. Transactions and balances with non-Debtor entities are separately disclosed.

Reclassifications

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the 2002 presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principals requires that management make estimates and assumptions affecting the assets and liabilities (including contingent assets and liabilities) reported at the date of the Consolidated Financial Statements and the revenues and expenses reported for the periods presented. Actual amounts could differ from those estimates. Grace's accounting measurements that are most affected by management's estimates of future events are:

- Contingent liabilities such as asbestos-related matters, environmental remediation, tax exposures and retained obligations of divested businesses.
- Pension and post-retirement liabilities that depend on assumptions regarding discount rates and total returns on invested funds.
- Depreciation and amortization periods for long-lived assets including property and equipment, and intangibles.
- Realization value of various assets such as receivables, inventories, goodwill, insurance and tax attributes.

The accuracy of these and other estimates may also be materially affected by the uncertainties arising under the Chapter 11 Cases.

2. Chapter 11 Related Financial Information

As a result of the Filing, Grace's Consolidated Balance Sheet as of September 30, 2002 separately identifies the liabilities that are "subject to compromise" under the Chapter 11 proceedings. In Grace's case, "Liabilities subject to compromise" represent pre-petition liabilities as determined under U.S. generally accepted accounting principles. Changes to the recorded amount of such liabilities will be based on developments in the Chapter 11 Cases and management's assessment of the claim amounts that will ultimately be allowed by the Bankruptcy Court.

Grace has been receiving pre-petition claims and expects to receive additional pre-petition claims through March 31, 2003, the bar date established by the Bankruptcy Court (see Note 1). Although these claims are being reviewed as they are received, Grace has insufficient information at this time to assess the validity or amount of these claims. As sufficient information becomes available for Grace to conclude that such claims are valid and their amount determinable, Grace will record appropriate adjustments, if necessary, to liabilities subject to compromise.

Changes to pre-petition liabilities subsequent to the Filing Date reflect: 1) cash payments under approved court orders; 2) the accrual of interest on pre-petition debt at the pre-petition contractual rate; 3) accruals for employee-related programs; and 4) changes in estimates related to pre-petition contingent liabilities and assets.

Set forth below is a reconciliation of the changes in pre-filing date liability balances for the period from the Filing Date through September 30, 2002.

(Dollars in millions)	Current Month	Cumulative Since Filing
Balance, beginning of period	\$ 2,311.8	\$ 2,366.0
Cash disbursements and/or reclassifications under bankruptcy court orders:		
Freight and distribution order ..	--	(5.7)
Trade accounts payable order ..	(0.3)	(8.7)
Other court orders including employee wages and benefits, sales and use tax and customer programs	(12.0)	(122.2)
Expense/(income) items:		
Interest on pre-petition debt	1.2	31.9
Current period employment-related accruals	1.9	20.7
Environmental accrual	13.5	25.1
Interest on income tax contingencies	5.6	18.0
Balance sheet reclassifications	--	(3.4)
Balance, end of period	\$ 2,321.7	\$ 2,321.7

Pre-Filing Date obligations allowable under current court orders and expected to be paid prior to an adopted plan of reorganization are classified as "Liabilities not subject to compromise." Additional liabilities subject to compromise may arise due to the rejection of executory contracts or unexpired leases, or as a result of the resolution of contingent or disputed claims.

3. Other Balance Sheet Accounts

(Dollars in millions)	September 30, 2002	Filing Date
Notes and accounts receivable, net		
Trade receivables, less allowance of \$1.6; (Filing Date - \$0.7)....	\$ 117.7	\$ 32.3
Other receivables, less allowance of \$1.7; (Filing Date - \$2.1)....	8.4	11.5
	\$ 126.1	\$ 43.8
Inventories		
Raw materials	\$ 17.2	\$ 20.3
In process	21.0	16.2
Finished products	55.4	63.8
General merchandise	10.4	9.6
Less: Adjustment of certain inventories to a last-in/first-out (LIFO) basis	(26.0)	(29.3)
	\$ 78.0	\$ 80.6

(Dollars in millions)	September 30, 2002	Filing Date
Other Assets		
Unamortized Pension Costs	\$ 232.0	\$ 227.9
Deferred charges	25.2	40.4
Long-term receivables.....	1.5	1.9
Long-term investments	2.1	2.1
Patents, licenses and other intangible assets	21.1	25.2
Intangible asset - pension related	19.6	8.1
Other assets	5.1	2.9
	\$ 306.6	\$ 308.5
Other Current Liabilities		
Accrued compensation	\$ 22.2	\$ --
Accrued commissions	4.4	--
Customer programs	11.4	--
Accrued utilities	0.5	--
Accrued freight	3.1	--
Other accrued liabilities	10.7	--
	\$ 52.3	\$ --
Other Liabilities		
Deferred royalty income--nonfiling entities	\$ 14.5	\$ 31.8
Pension related	202.9	--
Other liabilities	0.9	--
	\$ 218.3	\$ 31.8
Liabilities Subject to Compromise		
Other postretirement benefits	\$ 152.6	\$ 185.4
Environmental remediation	156.4	164.8
Retained obligations of divested businesses	57.8	75.5
Pension related	76.7	70.8
Deferred compensation	6.0	8.2
Accrued compensation.....	--	13.5
Self insurance reserve	28.0	11.8
Other accrued liabilities	54.1	68.6
	\$ 531.6	\$ 598.6

4. Life Insurance

The Debtors' are the beneficiary of life insurance policies on current and former employees with benefits in force of approximately \$2,241.3 million and a net cash surrender value of \$87.5 million at September 30, 2002. The policies were acquired to fund various employee benefit programs and other long-term liabilities and are structured to provide cash flow (primarily tax-free) over an extended number of years. The following table summarizes the net cash value at September 30, 2002 and Filing Date:

Components of Net Cash Value	September 30, 2002	Filing Date
Gross cash value	\$ 468.8	\$ 453.7
Principal - policy loans.....	(366.3)	(390.3)
Accrued interest - policy loans	(15.0)	0.7
Net cash value.....	\$ 87.5	\$ 64.1
Insurance benefits in force	\$ 2,241.3	\$2,286.0

The Debtors' financial statements display income statement activity and balance sheet amounts on a net basis, reflecting the contractual interdependency of policy assets and liabilities.

5. Debt

On September 30, 2002, and Filing Date, the Debtors' were obligated for the following:

Components of Debt (Dollars in millions)	September 30, 2002	Filing Date
Debt payable within one year		
Other short-term borrowings	\$ 1.6	\$ --
	\$ 1.6	\$ --
Debt payable after one year		
DIP facility	\$ --	\$ --
Other long-term borrowings	--	--
	\$ --	\$ --
Debt Subject to Compromise		
Bank borrowings	\$ 500.0	\$ 500.0
8.0% Notes Due 2004	--	5.7
7.75% Notes Due 2002	--	2.0
Other borrowings	1.0	1.2
Accrued interest	34.2	2.6
	\$ 535.2	\$ 511.5

The Debtors have negotiated a debtor-in-possession post-petition loan and security agreement with Bank of America, N.A. (the "DIP facility") in the aggregate amount of \$250 million. The DIP facility has a term of two years, is secured by a priority lien on substantially all assets of the Debtors, and bears interest at either Bank of America's prime rate or a formula based on the London Inter-Bank Offered Rate (LIBOR) plus 2.00 to 2.25 percentage points. The Bankruptcy Court issued a final approval of the DIP facility on May 3, 2001. As of September 30, 2002 Grace had no outstanding borrowings under the DIP facility.

The 7.75% Notes were repaid on June 11, 2001, and the 8.0% Notes were repaid on August 15, 2001, by the unaffiliated guarantor of the Notes. Grace's liability with respect to these notes is included in other liabilities subject to compromise as of September 30, 2002

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Bank Statements